2005 Integrated Energy Policy Report

Integrated Energy Policy Report Committee:

Commissioner John L. Geesman, Presiding Member
Commissioner James D. Boyd, Associate Member

Primary Authors
Melissa Jones, Advisor
Mike Smith, Advisor
Suzanne Korosec

Kevin Kennedy, Program Manager
Sandra Fromm, Assistant Program Manager

Agenda

October 7, 2005

- **Overview of *Draft Energy Report* chapter:**
  - **Ch. 7 The Challenges and Possibilities of Natural Gas**
- **Receive comments on those topics**
- **Written comments are due:** *October 14*

2005 Energy Report
Hearing Schedule

September 23, 9 a.m.	***Draft Strategic Transmission Plan***
September 27, 1 p.m.	***Water/ Energy, Global Climate Change, and Border Energy***
September 29, 1 p.m.	***Transportation***
October 6, 9 a.m.	***Demand-side Resources, Distributed Generation, Renewable Resources, and other Electricity Resources (Clean Coal and Nuclear)***
October 7, 9 a.m.	***Electricity Needs & Procurement Policies, and Transmission***
October 7, 1 p.m.	Natural Gas

2005 Energy Report Schedule

October 14:	Written comments due
Early November:	Publish the Final Committee *Energy Report, Transmission Strategic Plan*, and *Transmittal Report*
November 16:	Energy Commission Business Meeting to consider adoption of the *2005 Energy Report*, *Transmission Strategic Plan*, and *Transmittal Report*
Early December:	Deliver report to Governor and Legislature

Energy Report Process
Public Resources Code 2300 *et seq.*

Integrated policy development

- **Policy recommendations will be made based on an in depth and integrated analysis of energy issues facing the state. (Pub. Res. Code 25302(b))**

Common information base for energy agencies

- **The state's energy agencies will use the information and analyses contained in the report to carry out their energy-related duties. (Pub. Res. Code 25302(f))**

Timing

- **A policy report that includes an in depth assessment and forecasts of all energy sectors will be adopted by the Energy Commission every two years, and a supplement to the previous energy report on specific issues will be adopted in the off years.**

2005 Energy Report Proceeding

- Collaboration with federal, state and local agencies
- 50+ Committee hearings and workshops
- 25,000+ pages of docketed materials
- More than 50 staff and consultant papers and reports
- Three Draft Committee Reports
  - ***2005 Energy Report***
  - ***Strategic Transmission Investment Plan***
  - ***Transmittal Report to CPUC (coming soon)***

Draft Energy Report

Challenges and Possibilities of Natural Gas

Current setting - natural gas demand

- California is nation's second largest consumer of natural gas.
- Half of the gas used in-state is for power generation.
- As electricity demand grows, demand for natural gas for power generation increases.
- Natural gas for other uses also expected to increase as population grows: residential gas use by 1.4% per year and commercial by 2% per year.
- Demand growth is expected to be lower than the rest of the nation but is still projected to increase steadily by 0.7% per year from 2006-2016.

Draft Energy Report

Challenges and Possibilities of Natural Gas

Current setting - natural gas prices

- California's energy efficiency and natural gas management programs helped keep wholesale prices below national benchmark, even after Hurricane Katrina.
- Over the next decade, residential gas prices will be between $9.75 and $13.71 per thousand cubic feet; commercial gas prices will be between $8.64 and $11.91; and electricity generators can expect to pay between $5.75 and $8.75.

Draft Energy Report

Challenges and Possibilities of Natural Gas

Current setting - natural gas efficiency

- CPUC authorized additional $20 million in funding for natural gas efficiency programs in 2005.
- CPUC has also set aggressive goals to double annual gas savings by 2008 and triple savings by 2013.
- Combined heat and power facilities can increase natural gas efficiency by recycling waste heat.

Draft Energy Report

Challenges and Possibilities of Natural Gas

Current setting - natural gas supplies

- California imports 87 percent of its natural gas supplies.
- Domestic natural gas production will increase 1.6% per year over the next decade but will not keep up with demand.
- LNG import facilities under construction will help meet California's additional natural gas needs and could effect California's market prices.

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Challenges and Possibilities of Natural Gas

Key recommendations

- California needs to increase the diversity of its natural gas supply portfolio with LNG and other sources (e.g. biomass gasification, landfill gas, agricultural gas, and underground gaseous reservoirs).
- To increase natural gas efficiency, combined heat and power facilities should play a larger role in meeting California's electricity supply needs.
- The state must efficiently and equitably address safety, environmental, and gas quality issues for currently proposed LNC projects.
- The state must make certain that existing infrastructure is maintained and retained, and evaluate the need for additional pipeline capacity to meet the consumer needs for peak summer and winter demand when interstate pipeline disruptions or regional congestion can interfere with delivery.

2005 Energy Report Hearing

October 7, 2005

To call and participate
in today's meeting,
please call:

888-790-1711

Passcode: **HEARING**
Call Leader: **Kevin Kennedy**

Written comments due October 14